



## COMMODITY FUTURES TRADING COMMISSION

### Agency Information Collection Activities Under OMB Review

**AGENCY:** Commodity Futures Trading Commission.

**ACTION:** Notice.

**SUMMARY:** In compliance with the Paperwork Reduction Act of 1995 (“PRA”), this notice announces that the Information Collection Request (“ICR”) abstracted below has been forwarded to the Office of Management and Budget (“OMB”) for review and comment. The ICR describes the nature of the information collection and its expected costs and burden.

**DATES:** Comments must be submitted on or before [**30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

**ADDRESSES:** Comments regarding the burden estimated or any other aspect of the information collection, including suggestions for reducing the burden, may be submitted directly to the Office of Information and Regulatory Affairs (“OIRA”) in OMB, within 30 days of the notice’s publication, by email at [OIRAsubmissions@omb.eop.gov](mailto:OIRAsubmissions@omb.eop.gov). Please identify the comments by OMB Control No. 3038-0094. Please provide the Commission with a copy of all submitted comments at the address listed below. Please refer to OMB Reference No. 3038-0094, found on <http://reginfo.gov>. Comments may also be mailed to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for the Commodity Futures Trading Commission, 725 17th Street, NW., Washington, DC 20503, or through the Agency’s website at

<http://comments.cftc.gov>. Follow the instructions for submitting comments through the website.

Comments may also be mailed to: Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, D.C. 20581 or by Hand Deliver/Courier at the same address.

A copy of the supporting statements for the collection of information discussed above may be obtained by visiting <http://reginfo.gov>. All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to <http://www.cftc.gov>.

**FOR FURTHER INFORMATION CONTACT:** Christopher Hower, Special Counsel, Division of Clearing and Risk, Commodity Futures Trading Commission, (202) 418-6703; email: [chower@cftc.gov](mailto:chower@cftc.gov), and refer to OMB Control No. 3038-0094.

**SUPPLEMENTARY INFORMATION:**

Title: Clearing Member Risk Management (OMB Control No. 3038-0094). This is a request for extension of a currently approved information collection.

Abstract: Section 3(b) of the Commodity Exchange Act (“Act” or “CEA”) provides that one of the purposes of the Act is to ensure the financial integrity of all transactions subject to the Act and to avoid systemic risk. Section 8a(5) authorizes the Commission to promulgate such regulations that it believes are reasonably necessary to effectuate any of the provisions or to accomplish any of the purposes of the Act. Risk management systems are critical to the avoidance of systemic risks.

Section 4s(j)(2) requires each Swap Dealer (“SD”) and Major Swap Participant

(“MSP”) to have risk management systems adequate for managing its business. Section 4s(j)(4) requires each SD and MSP to have internal systems and procedures to perform any of the functions set forth in Section 4s.

Section 4d requires FCMs to register with the Commodity Futures Trading Commission (“Commission”). It further requires Futures Commission Merchants (“FCMs”) to segregate customer funds. Section 4f requires FCMs to maintain certain levels of capital. Section 4g establishes reporting and recordkeeping requirements for FCMs.

Pursuant to these provisions, the Commission adopted § 1.73 which applies to clearing members that are FCMs and § 23.609 which applies to clearing members that are SDs or MSPs. These provisions require these clearing members to have procedures to limit the financial risks they incur as a result of clearing trades and liquid resources to meet the obligations that arise. The regulations require clearing members to:

- (1) establish credit and market risk-based limits based on position size, order size, margin requirements, or similar factors;
- (2) use automated means to screen orders for compliance with the risk-based limits;
- (3) monitor for adherence to the risk-based limits intra-day and overnight;
- (4) conduct stress tests of all positions in the proprietary account and all positions in any customer account that could pose material risk to the futures commission merchant at least once per week;
- (5) evaluate its ability to meet initial margin requirements at least once per week;
- (6) evaluate its ability to meet variation margin requirements in cash at least once

per week;

(7) evaluate its ability to liquidate the positions it clears in an orderly manner, and estimate the cost of the liquidation at least once per month; and

(8) test all lines of credit at least once per quarter.

Each of these items has been observed by Commission staff as an element of an existing sound risk management program at an SD, MSP, or FCM. The Commission regulations require each clearing member to establish written procedures to comply with this regulation and to keep records documenting its compliance. The information collection obligations imposed by the regulations are necessary to implement certain provisions of the CEA, including ensuring that registrants exercise effective risk management and for the efficient operation of trading venues among SDs, MSPs, and FCMs. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The Commission did not receive any comments on the 60-day Federal Register notice, 80 FR 65217, dated October 26, 2015.

Burden Statement: The respondent burden for this collection is estimated to average 2 hours per response for an estimated annual burden of 504 hours per respondent. This estimate includes the total time, effort, or financial resources expended by persons to generate, maintain, retain, disclose, or provide information to or for a federal agency.

Respondents/Affected Entities: Swap Dealers, Major Swap Participants, and Futures Commission Merchants.

Estimated number of respondents: 240 (106 Swap Dealers and Major Swap Participants and 134 Futures Commission Merchants).<sup>1</sup>

Estimated number of responses per respondent: 252.<sup>2</sup>

Estimated total annual burden on respondents: 120,960 hours.

Frequency of collection: As needed.

There are no capital costs or operating and maintenance costs associated with this collection.

(Authority: 44 U.S.C. 3501 et seq.)

Dated: January 4, 2016

Robert N. Sidman,

Deputy Secretary of the Commission.

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<sup>1</sup> The 60-day notice indicated that there were 105 Swap Dealers and Major Swap Participants. There are 106 Swap Dealers and Major Swap Participants currently registered with the Commission.

<sup>2</sup> The 60-day contained a typographical error, providing for 253 estimated number of responses, instead of the correct figure of 252.

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